



## **Financial Oversight and Management Board for Puerto Rico**

### **STATEMENT**

*San Juan, PR – October 21, 2021* – The Financial Oversight and Management Board for Puerto Rico looks forward to the Puerto Rico Senate's upcoming vote on legislation to approve the issuance of the new general obligation (GO) bonds that are part of the 7<sup>th</sup> Amended Plan of Adjustment.

The stakes for Puerto Rico are incredibly high. Failure to pass this legislation means that Puerto Rico remains mired in a cloud of bankruptcy, stifling its ability to grow and attract needed investment. In addition, pensions will not be protected, and the Plan will not be amended to provide added support to the University of Puerto Rico and for municipalities.

If House Bill 1003, passed on October 19, 2021, is not enacted into law by 2 p.m. AST on Friday, October 22, 2021, the Oversight Board will be forced to seek adjournment of the confirmation hearing in the U.S. District Court for the District of Puerto Rico. As a result, Puerto Rico would remain in bankruptcy and the burden of unsustainable debt will remain on the shoulders of all Puerto Ricans, threatening economic progress on the island.

The consequences of failure could be severe, including:

- Puerto Rico remains in bankruptcy.
- Creditors may request that the moratorium on debt payment in place right now be lifted, leading to a chaotic demand for payment based on cash available and undermining the government's ability to function.
- Litigation would continue and massively increase costs and time to exit bankruptcy.
- The duration of the Oversight Board would be extended by the time lost in this process.
- Creditors would become eligible to receive \$100 million as a termination fee if they exercise their right to terminate their agreement to support the Plan.
- Creditors could potentially make new, greater demands for repayment, based on the public statements regarding potentially available incremental funds.
- The benefits of the Plan on file in the U.S. District Court may be lost to all stakeholders.
- Teachers and judges would not be eligible for the U.S. government's Social Security benefits and would continue to depend on payments from the budget of a government that drove their pension plan into bankruptcy.

The Oversight Board and a diverse group of stakeholders ranging from unions, retirees, bondholders and other creditors, and bond insurers agreed on a Plan that is the best possible outcome given the difficult circumstances that Puerto Rico has had to manage for the past several years.

- The Plan reduces the Commonwealth's outstanding debt by 80%, from \$33 billion to \$7 billion.
- The Plan ensures the government would pay no more than \$1.15 billion a year to repay the significantly reduced debt, including payments on the COFINA debt, rather than up to \$3.9 billion of contractual debt payments without the debt restructuring. GO debt service averages approximately \$440 million per year going forward.
- The Plan saves almost \$50 billion in debt service that was otherwise due.
- The Plan enables the government to pay just over 7 cents of each tax dollar for debt service, as compared to up to 25 cents prior to any restructuring.
- The Plan provides considerable security to future pension recipients by establishing a pension trust funded with at least \$175 million per year for the next several years and allocating the largest part of excess surplus to the pension trust.
- The Plan transfers more than \$1.2 billion and restores employee contributions to Sistema 2000 that were used by previous governments.
- The Plan provides thousands of civil service employees up to \$100 million in lieu of interest in their defined contribution accounts.
- The Plan would finally settle hundreds of litigation issues costing the government tens of millions of dollars in legal fees alone.
- The Plan would end bankruptcy and put Puerto Rico on the path to sustainable economic growth and prosperity.

Failure to enact House Bill 1003 passed on October 19, 2021, puts Puerto Rico at risk of losing a historic opportunity to sustainably recover from years of economic decline, governance failures, and fiscal recklessness.

The Oversight Board will continue its work to find a path out of bankruptcy – the people of Puerto Rico deserve no less. But, without the current Plan of Adjustment the path will be longer, more cumbersome, and more expensive. Additionally, the Oversight Board's tenure in the Commonwealth will last longer.

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About the Financial Oversight and Management Board for Puerto Rico:

The Financial Oversight and Management Board for Puerto Rico was created under the bipartisan Puerto Rico Oversight, Management and Economic Stability Act (PROMESA) of 2016. The purpose of the Oversight Board is to provide a method for Puerto Rico to achieve fiscal responsibility and access to the capital markets.

Website: [www.oversightboard.pr.gov](http://www.oversightboard.pr.gov)

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